

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

DISTRICT OF COLUMBIA PUBLIC SCHOOLS

**Budgetary Comparison Schedule
Governmental Funds and Supplemental Information
September 30, 2003**

(With Independent Auditors' Report Thereon)



**AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



April 16, 2004

The Honorable Anthony A. Williams
Mayor
District of Columbia
John A. Wilson Building, Suite 221
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
John A. Wilson Building, Suite 504
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Mayor Williams and Chairman Cropp:

On April 6, 2004, I received the enclosed Budgetary Comparison Schedule – Governmental Funds and Supplemental Information (With Independent Auditors' Report Thereon) of the District of Columbia Public Schools (DCPS) for the fiscal year ended September 30, 2003. The independent auditor, KPMG LLP, opined that this report presents fairly, in all material respects, the financial position of the DCPS as of September 30, 2003.

Within a few weeks, we will issue a report prepared by KPMG, which will provide information about DCPS's compliance with laws and regulations and the adequacy of its internal controls. The report also will recommend actions to improve DCPS's operations.

If you have questions or need additional information, please contact me directly, or have your staff contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Austin A. Andersen
Interim Inspector General

Enclosure

AAA/ws

cc: See Distribution List

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DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Budgetary Comparison Schedule – Governmental Funds and Supplemental Information

September 30, 2003

(With Independent Auditors' Report Thereon)



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Members of the Board of Education
District of Columbia:

We have audited the accompanying Budgetary Comparison Schedule – Governmental Funds of the District of Columbia Public Schools (DCPS), which represents a portion of the District of Columbia's General Fund and Federal and Private Resources Fund, for the year ended September 30, 2003. This schedule is the responsibility of the DCPS's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Budgetary Comparison Schedule – Governmental Funds is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Budgetary Comparison Schedule – Governmental Funds. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the schedule presents only the DCPS's original budget, final budget and actual revenues, expenditures, and other sources/uses, which is not a complete presentation of the financial position or changes in financial position of the DCPS or the District of Columbia. Furthermore, the accompanying schedule presents only a portion of the District of Columbia's General Fund and Federal and Private Resources Fund and it does not purport to, and does not, present the financial position or changes in financial position of the DCPS or the District of Columbia as of and for the year ended September 30, 2003.

In our opinion, the Budgetary Comparison Schedule – Governmental Funds, presents fairly, in all material respects, the original budget, final budget and actual revenues, expenditures, and other sources/uses of the DCPS, which represents a portion of the District of Columbia's General Fund and Federal and Private Resources Fund, for the year ended September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the Budgetary Comparison Schedule – Governmental Funds. The Schedule of Expenditures – Budget and Actual – Governmental Funds – Organization is presented for purposes of additional analysis and is not part of the Budgetary Comparison Schedule – Governmental Funds. The Schedule of Expenditures – Budget and Actual – Governmental Funds – Organization has been subjected to the auditing procedures applied in the audit of the Budgetary Comparison Schedule – Governmental Funds and, in our opinion, is fairly stated in all material respects in relation to the Budgetary Comparison Schedule – Governmental Funds taken as a whole.

KPMG LLP

January 23, 2004



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DISTRICT OF COLUMBIA PUBLIC SCHOOLS
Budgetary Comparison Schedule – Governmental Funds
Year ended September 30, 2003
(In thousands)

	Local Fund				Federal, Private, and Other Resources				Total			
	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)	Budget		Actual	Variance Positive (Negative)
	Original	Final			Original	Final			Original	Final		
REVENUES AND OTHER SOURCES:												
LOCAL REVENUES	\$ 639,122	711,937	711,890	(47)	—	—	—	—	639,122	711,937	711,890	(47)
OTHER SOURCES	—	—	—	—	6,322	7,975	6,630	(1,345)	6,322	7,975	6,630	(1,345)
FEDERAL CONTRIBUTIONS	—	—	—	—	150,781	163,078	118,319	(44,759)	150,781	163,078	118,319	(44,759)
OPERATING GRANTS	—	—	—	—	5,310	5,705	3,229	(2,476)	5,310	5,705	3,229	(2,476)
TOTAL REVENUES AND OTHER SOURCES	639,122	711,937	711,890	(47)	162,423	176,758	128,178	(48,580)	801,545	888,695	840,068	(48,627)
EXPENDITURES AND OTHER USES:												
PERSONAL SERVICES												
REGULAR PAY	376,620	375,431	345,619	29,812	975	975	10,445	(9,470)	377,595	376,405	356,065	20,340
TEMPORARY PAY	46,503	43,641	76,164	(32,623)	45,185	56,744	49,539	2,205	91,688	100,385	125,803	(25,418)
ADDITIONAL GROSS PAY	3,526	4,599	6,240	(1,641)	1,757	4,562	2,395	2,567	5,284	9,561	8,634	927
FRINGE BENEFITS	67,750	67,548	47,455	20,093	6,790	8,517	7,622	895	74,540	76,065	55,077	20,988
OVERTIME	(1)	193	6,208	(6,015)	—	534	1,209	(675)	(1)	727	7,417	(6,690)
OTHER THAN PERSONAL SERVICES												
SUPPLIES	7,974	10,050	15,366	(5,316)	4,987	7,432	4,438	2,994	12,961	17,482	19,804	(2,322)
UTILITIES	25,139	25,139	22,923	2,216	—	311	305	6	25,139	25,450	23,228	2,222
TELECOMMUNICATIONS	2,514	3,761	3,992	(231)	188	292	84	208	2,701	4,053	4,076	(23)
RENT	5,292	5,292	5,313	(21)	—	—	—	—	5,292	5,292	5,313	(21)
CUSTODIAL	13	13	20	(7)	—	—	—	—	13	13	20	(7)
SECURITY	268	268	261	7	—	—	—	—	268	268	261	7
OTHER	13,087	18,523	18,517	6	5,497	12,629	5,876	6,753	18,584	31,153	24,393	6,760
CONTRACTS	11,862	53,204	48,945	4,259	15,397	31,835	14,811	17,024	27,258	85,039	63,756	21,283
SUBSIDIES AND TRANSFER	67,784	94,093	106,928	(12,835)	73,182	41,034	22,284	18,750	140,966	135,127	129,212	5,915
EQUIPMENT	10,490	9,881	7,773	2,108	8,465	11,493	7,289	4,204	18,952	21,374	15,062	6,312
DEBT SERVICE	301	301	66	235	—	—	—	—	301	301	66	235
TOTAL EXPENDITURES AND OTHER USES	639,122	711,937	711,890	47	162,423	176,758	126,197	50,461	801,547	888,694	838,187	50,507
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES – BUDGETARY BASIS	\$ —	—	—	—	—	—	1,881	1,881	—	—	1,881	1,881

See accompanying notes to Budgetary Comparison Schedule – Governmental Funds

DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Notes to the Budgetary Comparison Schedule – Governmental Funds

Fiscal Year Ended September 30, 2003

(Dollars in Thousands)

(1) Summary of Significant Accounting Policies

(a) Background

The mission of the District of Columbia Public Schools (DCPS and/or the Schools) is to provide comprehensive publicly supported education to students from pre-kindergarten through grade twelve. Services include programs at the elementary, junior and senior high school levels, as well as special education for handicapped students and career training opportunities for adults at career development centers.

The Schools are an independent, but not legally separate, agency of the District of Columbia (District) and are included in the District's budgetary request to the United States Congress (Congress). The School budget is subject to approval by the Council of the District, and is subject to congressional appropriation as part of the overall budget appropriation for the District for each fiscal period.

The accounting and reporting policies followed by the Schools in the presentation of the Budgetary Comparison Schedule –Governmental Funds conform to accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the Schools' significant accounting policies.

(b) Financial Reporting Entity

The Schools are considered an agency of the District's reporting entity because it is not legally separate, and the District holds its corporate powers. Hence, the significant portions of the School's revenue are received from the District. In fiscal year 2003, the Schools received appropriations from the District representing nineteen percent (19%) of the District's total general fund revenue. Further, the Schools are subject to the budgetary procedures followed by the District in its annual request to the U.S. Congress. As an agency of the District, the financial position and results of operations of the Schools are included in the District's basic financial statements.

The accompanying schedule presents only the DCPS's original budget, final budget, actual revenues, expenditures and other sources/uses. Therefore, the minimum combination of financial statements requisite to qualify a report as the basic financial statements and which are needed for fair presentation of an entity in conformity with GAAP are not presented. Furthermore, the accompanying schedule presents only a portion of the District of Columbia's General Fund and Federal and Private Resources Fund and is not intended to present the financial position or changes in financial position of the Schools or the District as a whole in conformity with GAAP.

Excluded from the accompanying schedules are:

- Depreciation on all capital assets used by the schools;
- Interest expense and related debt service costs on general obligation debt issued by the District to fund schools capital improvements program; and
- Financial operations of the District of Columbia Public Charter Schools.

DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Notes to the Budgetary Comparison Schedule – Governmental Funds

Fiscal Year Ended September 30, 2003

(Dollars in Thousands)

(c) *Measurement Focus and Basis of Accounting*

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statement. Thus, the accounting and financial reporting treatment applies to a fund or activity is determined by its measurement focus.

Measurement Focus

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of Accounting

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is when they become both measurable and available.) “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. GASB Interpretation Number 6 (GASBI 6) requires that expenditures and liabilities such as compensated absences, claims and judgments, and special termination benefits be recorded in the governmental fund statements only when they mature or become due for payment within the period.

Intergovernmental revenues are amounts derived through agreements with other governments. In general, these revenues are comprised of contributions and grants made by the Federal government to the District. Contributions are recognized as revenue when received. Generally, entitlements and shared revenues are recognized as available. Resources arising from grants are usually subject to certain eligibility requirements; therefore, most grant revenues are recognized as revenue only when the conditions of the grants are met. Grant funds received before all eligibility requirements are met are recorded as deferred revenue.

Local Revenues-2003

Local revenues represent an allocation of the District’s General Fund revenues that support the operations of the Schools. The amount of allocation is limited, by the Appropriation Act, to only amounts originally approved, subsequent supplemental appropriations, and reprogrammings.

Compensated Absences

The School’s policies allow employees to accumulate unused sick leave with no maximum limitation. Pursuant to the Teacher’s Union contract, unused sick leave may be paid out annually upon teacher request. Vacation (annual) leave may be accumulated up to 240 hours. The Schools

DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Notes to the Budgetary Comparison Schedule – Governmental Funds

Fiscal Year Ended September 30, 2003

(Dollars in Thousands)

records vacation and teacher's sick leave as an expenditure in the schedule only to the extent that it they mature or come due for payment.

Claims and Judgments

The Schools record claims and judgments to the extent that they are to be funded from their appropriations. The claims and judgments that are recorded by Schools consist of employee wage suits, claims resulting from union negotiated contracts, special education suits, and adjustments of federal awards. All other major judgments and claims are appropriated in another functional level of the District budget.

Interfund Activity

The effect of interfund activity has been eliminated from the schedule.

Indirect Costs

The District and the Schools do not allocate indirect costs to the functional levels for budgetary and actual purposes and those costs are not included in the accompanying schedule.

Fringe Benefits

The fringe benefits for employees of the District are budgeted and expended at the functional level. Health, disability, workers compensation and retirement benefits associated with Schools' employees are included in the accompanying schedule.

Repairs and Maintenance

Costs of repairs and maintenance to capital assets utilized by the Schools are budgeted and expended at the Schools functional level and are included in the accompanying schedule. Costs of improvements to capital assets are budgeted and expended in the School Capital Project Fund and are not included in the accompanying schedule.

(d) Budgets and Budgetary Control

The budgetary data for the Schools' Budgetary Comparison Schedule - Governmental Funds was a component of the overall District budget request approved by the U.S. Congress. Although the Board of Education developed a separate budget request, which was submitted to the Mayor to support the Schools' fiscal 2003 operational needs, the budget ultimately approved and included in the accompanying schedule represents primarily an allocation from the District's final approved budget.

Process

About February 1 of each year, the Mayor submits to the Council an all sources budget for the general fund, for the fiscal year commencing the following October 1. The Council holds public hearings and adopts the budget through passage of a budget request act. The Mayor may not forward and the Council may not adopt any budget for which expenditures and other financing uses exceed